



# OPEN MEETING AGENDA ITEM

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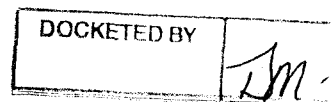
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AZ CORP COMMISSION  
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Arizona Corporation Commission  
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MAY 15 2012



May 15, 2012

Chairman and Commissioners  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

**Re: Comments in favor of full revenue decoupling, energy efficiency and solar energy, APS rate case, # E-01345A-11-0224**

Dear Chairman Pierce and Commissioners:

I am submitting written public comments on the Arizona Public Service (APS) rate case on behalf of the Sierra Club's Grand Canyon (Arizona) Chapter and our 12,000 members, many of whom are APS customers.

The Sierra Club's mission is "to explore, enjoy, and protect the wild places of the earth; to practice and promote the responsible use of the earth's ecosystems and resources; and to educate and enlist humanity to protect and restore the quality of the natural and human environments." The Sierra Club and our members have a significant interest in this rate case as moving from coal to clean energy is critical to our goals to reduce pollution, water consumption, and limit global climate change.

We are disappointed that full revenue decoupling is not included in the Recommended Opinion and Order. Full revenue decoupling would better address the Arizona Public Service (APS) financial disincentives relative to energy efficiency. The Lost Fixed Cost Recovery mechanism in the Settlement Agreement does nothing to address the APS financial incentive to encourage customers to use more and effectively waste more electricity.

The Lost Fixed Cost Recovery mechanism also does much less for consumers than full revenue decoupling. Under full revenue decoupling our rates can be adjusted up or down. With the Lost Fixed Cost Recovery mechanism, we get an automatic rate increase.

Energy efficiency, as the least cost energy resource, should be strongly supported by the Arizona Corporation Commission in any rate case decision and even more enthusiastically by the Residential Utility Consumer Office. Energy efficiency not only saves individual rate payers who take advantage of energy efficiency programs, but it saves all ratepayers relative to future costs associated with building additional power plants.



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The energy-saving conservation programs funded through the APS programs will help ratepayers lower their bills by providing a variety of services. We can have a professional come to our homes and evaluate their efficiency, plus patch leaks, change air filters, program thermostats and otherwise make homes more efficient and less drafty. This can help keep rates lower over the long run, because as APS maximizes efficiency measures, it will have to build fewer new power plants, which is one of the most expensive items on our utility bills.

Reduced power generation associated with energy efficiency measures will result in a decrease of a number of pollutants including carbon dioxide (a greenhouse gas), nitrogen oxides, sulfur dioxide, mercury and other pollutants. This will reduce the public health impacts related to emissions of particulate matter and mercury, and also reduce our contribution to global climate change.

When setting rates the Commission should take into account the policies it has adopted. The current methodology for setting rates doesn't do this. It relies on a historic test year that looks to the past to come up with a forecast of energy sales. This methodology ignores known Commission policies which shape the future, such as the Electric Energy Efficiency Standard. Thus, the Commission knowingly sets rates according to a false premise.

The proposed Settlement Agreement includes a rate case moratorium that would last for four years. During the Tucson Electric Power (TEP) Company proceedings, a similar moratorium has been an obstacle to TEP achieving its energy efficiency requirements. Given all of the economic uncertainty over the next few years, the Commission should be very careful about enacting moratoria, especially if they subject consumers to higher future costs.

As noted above, the Commission must consider the policies it has adopted in setting rates. Our current system isn't working for ratepayers who are interested in conserving energy and lowering utility bills. It rewards utilities for selling us more electricity than we really need. This results in wasteful energy use that drives up bills. A full decoupling program will reduce the utility financial disincentives for investing more in energy efficiency programs.

We support strong and consistent investment in solar energy in Arizona as well and are concerned about the potential for undermining this important market via this rate case. Please ensure continued support for this important investment in Arizona's energy future and foster the development of a world-class solar industry in our state.

We specifically oppose the Pierce Proposed Amendment #1, which is intended to limit investment in renewable energy resources. This is the absolute wrong direction. Arizonans, including APS ratepayers, have consistently expressed support for clean renewable energy, even if it means paying more. Through the Renewable Energy Standard and Tariff, each regulated utility, including APS, is required to have a minimum amount of renewable energy. The REST does not set a maximum. It would be inappropriate to do so in this rate case. Having additional renewable energy resources helps to limit the impacts of price volatility relative to other resources and provides APS customers with more certainty as there are not fuel costs associated with solar and wind. Rather than merely focusing on the REST surcharge, the Commission should consider the significant long-term benefits from creating an energy portfolio with more price stability.

We also object to Burns Amendments #1 and #2 as they are clearly intended to discourage investment in renewable energy resources and are contrary to the Commission adopted policies and standards to encourage renewable energy development. We oppose imposing more fees on those who have stepped up to install solar roof-tops as all ratepayers realize the benefits of these installations, including the reduced emissions from generating electricity from solar versus a dirty coal plant.

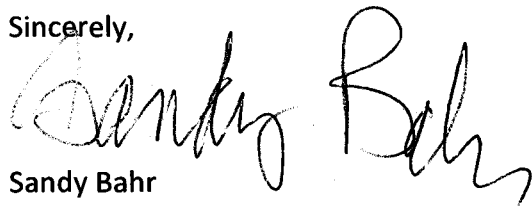
Renewable energy installations and manufacturing are critical components to a recovering economy and help attract investment and innovation. This brings new products to the market and lowers the cost - creating jobs and making solar and other renewables more affordable for us all.

Finally, we want to express concerns about returning to a policy of subsidizing sprawl development, by offering free utility line extensions. The Commission was wise to end this policy and efforts here to take a step backward are troubling. We encourage you to re-evaluate this policy and whether it serves the best interest of APS ratepayers or the greater public.

Please support the energy efficiency measures and include full revenue decoupling provisions, plus maintain strong support for renewable energy programs relative to the proposed APS rate increase. This will encourage energy saving programs now and in the future, reduce the use of a fossil fuel, and reduce pollution and harmful greenhouse gas emissions.

Thank you for considering our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Sandy Bahr". The signature is fluid and cursive, with the first name "Sandy" and last name "Bahr" clearly distinguishable.

Sandy Bahr  
Director

Sierra Club – Grand Canyon Chapter

